

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001**NOTE 10 – LONG-TERM DEBT**

King County's long-term debt consists of general long-term debt and proprietary type long-term debt. General long-term debt consists of general obligation bonds, other general obligation debt, and special assessment bonds with governmental commitment. Special assessment bonds are guaranteed for payment from resources of the Road Improvement Guaranty Fund if the road improvement district fails to pay.

In 2001, to ensure compliance with applicable Washington State debt limitation statutes (*Revised Code of Washington [RCW]*, Chapter 39.36.020) and bond indenture agreements, King County's general long-term debt was accounted for in five account groups:

- (1) Limited General Obligation Bond Long-term Debt
- (2) Unlimited General Obligation Bond Long-term Debt
- (3) Stadium General Obligation Bond Long-term Debt
- (4) General Obligation Long-term Liabilities
- (5) Road Improvement District Special Assessment Bond Long-term Debt

Proprietary type long-term debt is accounted for in Enterprise Funds and Internal Service Funds. Proprietary type long-term debt consists of: limited general obligation bonds accounted for in the King County International Airport, Solid Waste, Public Transportation, and Water Quality Enterprise Funds; limited general obligation debt for capital leases accounted for in various Enterprise and Internal Service Funds; revenue capital leases accounted for in the Public Transportation Fund; and revenue bonds accounted for in the Water Quality Enterprise.

Three schedules in this Note are reported on a basis that is different from the Combined Balance Sheet (CBS). The Schedule of Long-term Debt, the Computation of Legal Debt Margin, and the Debt Service Requirement to Maturity are reported on a legal basis, which is different from generally accepted accounting principles (GAAP), in order to demonstrate legal compliance. These schedules consider all of King County's debt as of December 31, 2001, which includes a portion of the debt reported on the CBS as Component Unit debt as of June 30, 2001, in accordance with GAAP. (See reconciliations to the CBS presented with the Schedule of Long-term Debt - "General Long-term Debt" subtotal, page 69 and Debt Service Requirement to Maturity - "Total General Obligation Debt" subtotal, page 72.)

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

SCHEDULE OF LONG-TERM DEBT
(Page 1 of 5)

	ISSUE DATE	INTEREST RATES	ORIGINAL AMOUNT	OUTSTANDING
I. GENERAL LONG-TERM DEBT				
IA. GENERAL LONG-TERM DEBT - GENERAL OBLIGATIONS				
LIMITED GENERAL OBLIGATION DEBT				
Limited general obligation bonds				
Payable from Limited G.O. Bond Redemption Fund				
1993 Various Purpose Series "A" (Partial)	01/01/93	5.80% to 8.80%	\$ 52,695,900	\$ 4,441,053
1993 Various Purpose Series "B" (Partial)	12/01/93	5.35% to 6.70%	109,435,833	70,340,000
1996 Various Purpose Series "A" (Partial)	02/01/96	5.00% to 5.25%	105,268,054	74,965,000
1996 Refunding Series "B"	03/01/96	4.10% to 4.60%	10,348,276	7,747,221
1997 Baseball Stadium Series "B"	04/01/97	5.75% to 6.63%	151,000,000	121,365,000
1997 Baseball Stadium Parking Facilities(Taxable) Series "C"	04/01/97	7.06% to 7.79%	25,000,000	24,155,000
1997 Baseball Stadium Series "D"	04/17/97	4.60% to 5.75%	150,000,000	137,345,000
1997 Kingdome Debt Service Reimburse (Taxable) Series "E"	12/01/97	6.25% to 6.88%	6,595,000	6,595,000
1997 Kingdome Debt Refunding Series "F"	12/01/97	5.00% to 5.20%	51,525,000	51,525,000
1997 Various Purpose Series "G" (Partial)	12/01/97	4.50% to 5.00%	72,080,000	54,480,000
1999 Various Purpose Series "A" (Partial)	05/01/99	4.00% to 5.25%	85,694,670	61,944,224
2001 Various Purpose (Partial)	11/15/01	3.00% to 5.00%	26,925,000	26,925,000
Total limited general obligation bonds			<u>846,567,733</u>	<u>641,827,498</u>
Limited G.O. capital leases				
Payable from General Fund	Various	Various	6,347,892	5,976,997
Payable from Various Funds - King Street Center's Tenants	06/01/97	4.50% to 5.13%	78,275,000	78,275,000
Payable from Surface Water Management fund	Various	Various	530,790	115,926
Total limited G.O. capital leases			<u>85,153,682</u>	<u>84,367,923</u>
TOTAL LIMITED GENERAL OBLIGATION DEBT			<u>\$ 931,721,415</u>	<u>\$ 726,195,421</u>

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

SCHEDULE OF LONG-TERM DEBT
(Page 2 of 5)

	ISSUE DATE	INTEREST RATES	ORIGINAL AMOUNT	OUTSTANDING
IA. GENERAL LONG-TERM DEBT - GENERAL OBLIGATIONS (continued)				
UNLIMITED GENERAL OBLIGATION BONDS				
Payable from Unlimited G.O. Redemption Fund				
1993 Refunding Series "C"	12/01/93	6.00% to 7.25%	\$ 184,405,000	\$ 145,305,000
2000 Refunding Bonds	10/01/00	5.00% to 5.50%	102,740,000	95,445,000
2001 Harborview Medical Center	01/22/01	4.00% to 5.00%	<u>29,130,000</u>	<u>28,370,000</u>
			<u>316,275,000</u>	<u>269,120,000</u>
Bond Redemption Fund				
Payable from Stadium G.O. Bond Redemption Fund				
2000 Refunding Bonds	10/01/00	5.00% to 5.50%	<u>18,880,000</u>	<u>17,640,000</u>
TOTAL UNLIMITED GENERAL OBLIGATION BONDS			<u><u>\$ 335,155,000</u></u>	<u>286,760,000</u>
GENERAL OBLIGATION LIABILITIES				
Compensated absences				50,847,479
Accrued unemployment compensation				<u>1,172,763</u>
TOTAL GENERAL OBLIGATION LIABILITIES				<u>52,020,242</u>
TOTAL GENERAL LONG-TERM DEBT - GENERAL OBLIGATIONS				<u><u>\$ 1,064,975,663</u></u>

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

SCHEDULE OF LONG-TERM DEBT
(Page 3 of 5)

	ISSUE DATE	INTEREST RATES	ORIGINAL AMOUNT	OUTSTANDING
IB. SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT				
Special assessment bonds with governmental commitment - bonds payable from Road Improvement Districts S.A. Bond Redemption Fund				
RID 19	05/01/75	-0-	\$ 1,000	\$ 1,000
RID 20	05/01/75	-0-	3,000	1,000
RID 1 Consolidated	03/01/85	9.50% to 10.50%	1,044,271	30,000
RID 2 Consolidated	07/01/86	7.88% to 8.25%	286,192	135,000
TOTAL SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT			<u>1,334,463</u>	<u>167,000</u>
TOTAL GENERAL LONG-TERM DEBT				<u>\$ 1,065,142,663</u> ^(a)
(a) Reconciliation of Total General Long-term Debt with the Combined Balance Sheet, General Long-term Debt Account Group:				
Total General Long-term Debt per Schedule of Long-term Debt			\$ 1,065,142,663	
Less: Harborview Medical Center Limited General Obligation Bonds as of 12/31/01				
1993 Various Purpose Series "A" Partial			(148,000)	
1996 Various Purpose Series "B" Partial			(432,986)	
1997 Various Purpose Series "G" Partial			(7,325,000)	
1999 Various Purpose and Refunding Series "A" Partial			(946,763)	
2001 HMC II Parking Garage			(2,505,000)	
Total Harborview Medical Center Limited General Obligation Bonds as of 12/31/01			<u>(11,357,749)</u>	
Total General Long-term Debt Account Group			<u>\$ 1,053,784,914</u>	

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

SCHEDULE OF LONG-TERM DEBT
(Page 4 of 5)

	ISSUE DATE	INTEREST RATES	ORIGINAL AMOUNT	OUTSTANDING
II. PROPRIETARY TYPE LONG-TERM DEBT				
Proprietary type limited general obligation bonds				
Payable from Enterprise Funds				
1993 Various Purpose "A" (Partial)	01/01/93	4.30% to 6.00%	\$ 44,538,267	\$ 20,128,947
1993 Limited Sales Tax Series	06/01/93	4.20% to 5.65%	72,100,000	69,655,000
1994 Limited Tax (Water Quality) Series A	04/01/94	5.80% to 6.40%	170,000,000	6,165,000
1995 Limited Tax (Water Quality) Series A	05/01/95	5.50% to 5.88%	90,000,000	88,635,000
1996 Limited Tax Refunding Series "B" (Partial)	03/01/96	4.10% to 4.75%	12,631,724	11,232,779
1996 Limited Tax G.O. Refunding (Revenue Bonds) Series C	12/15/96	5.00% to 6.25%	130,965,000	110,765,000
1998 LTGO (Public Transport. Sales Tax) Refunding Series A	05/15/98	4.50% to 5.00%	85,715,000	70,855,000
1998 Limited Tax G.O. Refunding (WQ-LTGO & REV.) Series B	09/15/98	4.75% to 5.25%	261,625,000	260,145,000
1999 Limited Tax G.O. (Refunding part) Series A	05/01/99	4.00% to 5.25%	8,720,330	8,610,776
2001 Limited Tax G.O. Various Purpose (Partial)	11/15/01	3.00% to 5.00%	8,580,000	8,580,000
Total payable from Enterprise Funds			<u>884,875,321</u>	<u>654,772,502</u>
Payable from Internal Service Funds				
1996 Various Purpose "A" (Partial)	02/01/96	5.00% to 5.25%	9,969,883	4,315,000
1997 Various Purpose "G" (Partial)	12/01/97	4.50% to 5.00%	1,270,000	840,000
1999 Limited Tax G.O. Various Purpose Series A	05/01/99	4.00% to 5.25%	525,000	420,000
2001 Limited Tax G.O. Various Purpose (Partial)	11/15/01	3.00% to 5.00%	1,050,000	1,050,000
Total payable from Internal Service Funds			<u>12,814,883</u>	<u>6,625,000</u>
Total proprietary type limited G.O. bonds			<u>897,690,204</u>	<u>661,397,502</u>
Proprietary type general obligation capital leases				
Payable from Information and Telecommunication Services Fund	Various	Various	\$ 2,161,229	122,564
Proprietary type general obligation liabilities				
Compensation absences				
Payable from Enterprise Funds				41,168,724
Payable from Internal Service Funds				7,161,267
Total proprietary type general obligation liabilities				<u>\$ 48,329,991</u>

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

SCHEDULE OF LONG-TERM DEBT
(Page 5 of 5)

	ISSUE DATE	INTEREST RATES	ORIGINAL AMOUNT	OUTSTANDING
II. PROPRIETARY TYPE LONG-TERM DEBT (continued)				
Proprietary type revenue bonds, capital leases and loans				
Payable from Enterprise Funds				
Sewer and Drainage Bond Issue 472 Special	05/01/75	-0-	\$ 500	\$ 500
1963 Sewer Revenue Bonds Series C	01/01/63	3.40% to 3.60%	15,000,000	6,720,000
1963 Sewer Revenue Bonds Series D	10/01/63	3.50% to 3.70%	15,000,000	7,020,000
1993 Sewer Revenue Bonds Series X	03/01/93	4.75% to 5.50%	136,305,000	130,500,000
1993 Sewer Revenue Bonds Series Y	04/01/93	4.20% to 5.70%	122,455,000	112,535,000
1993 Sewer Revenue Bonds Series Z	07/01/93	4.80% to 5.50%	127,100,000	123,720,000
1999 Sewer Revenue Bonds Series 1	06/01/99	5.25% to 5.50%	80,000,000	80,000,000
1999 Sewer Revenue Bonds Series 2	11/01/99	5.00% to 6.25%	60,000,000	60,000,000
2001 Sewer Revenue Bonds Junior Lien Series A	08/06/01	Variable Rate	50,000,000	50,000,000
2001 Sewer Revenue Bonds Junior Lien Series B	08/06/01	Variable Rate	50,000,000	50,000,000
2001 Sewer Revenue and Refunding Bonds	11/13/01	3.00% to 5.25%	270,060,000	270,060,000
1990, 2000, 2001 State of Washington Loans	Various	5.00%	72,350,972	58,774,376
1996 PublicTransportation Revenue Capital Leases	Various	5.32%	89,301,567	43,171,791
Total proprietary type revenue bonds capital leases and loans			<u>1,087,573,039</u>	<u>992,501,667</u>
TOTAL PROPRIETARY TYPE LONG-TERM DEBT			<u>\$ 1,987,424,472</u>	<u>1,702,351,724</u>
TOTAL LONG-TERM DEBT				<u>\$ 2,767,494,387</u>

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

DEBT SERVICE REQUIREMENT TO MATURITY AS OF DECEMBER 31, 2001

(PAGE 1 OF 2)

GENERAL OBLIGATION DEBT

YEAR	GENERAL OBLIGATION BONDS				GENERAL OBLIGATION CAPITAL LEASES		TOTAL GENERAL OBLIGATION DEBT	
	GENERAL LONG-TERM		PROPRIETARY TYPE		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST				
2002	\$ 53,510,268	\$ 48,057,324	\$ 17,669,732	\$ 34,492,493	\$ 854,637	\$ 4,295,588	\$ 72,034,637	\$ 86,845,405
2003	55,611,013	45,336,175	17,623,987	33,568,611	2,099,411	4,223,226	75,334,411	83,128,012
2004	56,348,796	42,626,809	18,591,204	32,712,379	2,126,439	4,122,416	77,066,439	79,461,604
2005	59,518,990	39,873,440	20,181,010	31,690,186	2,175,000	4,022,798	81,875,000	75,586,424
2006	62,998,472	36,896,891	16,646,528	30,784,012	2,280,000	3,918,644	81,925,000	71,599,547
2007	67,333,041	33,694,499	16,031,959	29,984,269	2,390,000	3,808,305	85,755,000	67,487,073
2008	59,474,034	30,425,143	21,485,966	28,939,161	2,510,000	3,690,258	83,470,000	63,054,562
2009	61,934,184	27,328,598	13,490,816	28,084,821	2,635,000	3,563,671	78,060,000	58,977,090
2010	51,445,562	24,395,302	20,684,438	27,235,105	2,770,000	3,430,489	74,900,000	55,060,896
2011	53,670,492	21,642,411	13,214,508	26,392,500	2,910,000	3,288,314	69,795,000	51,323,225
2012	58,152,646	18,655,033	21,072,354	25,520,843	3,060,000	3,138,744	82,285,000	47,314,620
2013	61,240,000	15,491,160	13,200,000	24,503,757	3,215,000	2,981,097	77,655,000	42,976,014
2014	67,630,000	12,125,168	13,105,000	23,616,763	3,390,000	2,813,122	84,125,000	38,555,053
2015-2019	136,885,000	19,015,367	75,630,000	103,712,413	19,790,000	11,204,457	232,305,000	133,932,237
2020-2024	22,835,000	3,907,125	124,010,000	78,297,346	23,005,000	5,581,932	169,850,000	87,786,403
2025-2029			95,330,000	53,485,044	9,280,000	448,876	104,610,000	53,933,920
2030-2035			143,430,000	23,230,891			143,430,000	23,230,891
	<u>\$ 928,587,498</u> ^(a)	<u>\$ 419,470,445</u>	<u>\$ 661,397,502</u> ^(a)	<u>\$ 636,250,594</u>	<u>\$ 84,490,487</u>	<u>\$ 64,531,937</u>	<u>\$ 1,674,475,487</u>	<u>\$ 1,120,252,976</u>

(a) Reconciliation of total General Obligation Bonds as reported on the Schedule of Debt Service Requirement to Maturity (DSRM) and as reported on the Combined Balance Sheet (CBS):

General Obligation Bonds - General long-term	\$ 928,587,498	General obligation bonds payable - Current	\$ 6,019,732
General Obligation Bonds - Proprietary type	661,397,502	General obligation bonds payable - Restricted	11,650,000
Harborview Medical Center General Obligation Bonds 12-31-2001 (See Schedule of Long-term Debt page 3 of 5-Reconciliations)	(11,357,749)	General obligation bonds payable - Long-term	1,560,957,519
Total General Obligation Bonds (DSRM)	<u>\$ 1,578,627,251</u>	Total General Obligation Bonds (CBS)	<u>\$ 1,578,627,251</u>

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

DEBT SERVICE REQUIREMENT TO MATURITY AS OF DECEMBER 31, 2001

(PAGE 2 OF 2)

LONG-TERM DEBT SUMMARY

YEAR	TOTAL GENERAL OBLIGATION DEBT		GENERAL LONG-TERM DEBT SPECIAL ASSESSMENT BONDS (WITH GOVERNMENTAL COMMITMENT)		PROPRIETARY TYPE REVENUE BONDS CAPITAL LEASES AND LOANS		TOTAL LONG-TERM DEBT (EXCLUDING GENERAL OBLIGATION LONG-TERM LIABILITIES)	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2002	\$ 72,034,637	\$ 86,845,405	\$ 32,000	\$ 14,212	\$ 37,589,367	\$ 40,573,814	\$ 109,656,004	\$ 127,433,431
2003	75,334,411	83,128,012		11,063	32,086,011	44,401,047	107,420,422	127,540,122
2004	77,066,439	79,461,604		11,062	36,011,555	42,757,680	113,077,994	122,230,346
2005	81,875,000	75,586,424		11,063	28,767,533	40,835,948	110,642,533	116,433,435
2006	81,925,000	71,599,547		11,062	25,154,800	39,481,985	107,079,800	111,092,594
2007	85,755,000	67,487,073		11,063	27,043,729	38,202,301	112,798,729	105,700,437
2008	83,470,000	63,054,562	135,000	11,062	28,394,851	36,816,591	111,999,851	99,882,215
2009	78,060,000	58,977,090			29,838,527	35,312,607	107,898,527	94,289,697
2010	74,900,000	55,060,896			31,390,134	33,688,229	106,290,134	88,749,125
2011	69,795,000	51,323,225			33,095,067	31,950,068	102,890,067	83,273,293
2012	82,285,000	47,314,620			34,893,743	30,124,031	117,178,743	77,438,651
2013	77,655,000	42,976,014			36,766,597	28,193,991	114,421,597	71,170,005
2014	84,125,000	38,555,053			39,499,091	26,129,204	123,624,091	64,684,257
2015-2019	232,305,000	133,932,237			131,049,747	103,218,590	363,354,747	237,150,827
2020-2024	169,850,000	87,786,403			95,560,915	77,652,077	265,410,915	165,438,480
2025-2029	104,610,000	53,933,920			123,685,000	49,053,621	228,295,000	102,987,541
2030-2035	143,430,000	23,230,891			221,675,000	16,757,667	365,105,000	39,988,558
TOTAL	<u>\$ 1,674,475,487</u>	<u>\$ 1,120,252,976</u>	<u>\$ 167,000</u>	<u>\$ 80,587</u>	<u>\$ 992,501,667</u>	<u>\$ 715,149,451</u>	<u>\$ 2,667,144,154</u>	<u>\$ 1,835,483,014</u>

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

GENERAL LONG-TERM DEBT - BALANCE SHEET

	TOTAL	LIMITED G.O. LONG-TERM DEBT	UNLIMITED G.O. BOND LONG-TERM DEBT	STADIUM G.O. BOND LONG-TERM DEBT	COMPENSATED ABSENCES AND UNEMPLOYMENT COMPENSATION LIABILITY	ROAD IMPROVEMENT DISTRICTS S. A. BOND LONG-TERM DEBT
ASSETS						
Amount available in						
Debt Service Funds	\$ 39,382,561	\$ 28,222,202	\$ 5,186,405	\$ 2,655,122	\$	\$ 3,318,832
Amounts to be provided						
for retirement of :						
Bonds	878,014,188	602,247,547	263,933,595	14,984,878		(3,151,832)
Capital leases	84,367,923	84,367,923				
Other general long-term						
liabilities payable	52,020,242				52,020,242	
Total amounts to be provided	1,014,402,353	686,615,470	263,933,595	14,984,878	52,020,242	(3,151,832)
TOTAL ASSETS	\$ 1,053,784,914	\$ 714,837,672	\$ 269,120,000	\$ 17,640,000	\$ 52,020,242	\$ 167,000
LIABILITIES						
General obligation						
bonds payable	\$ 917,229,749	\$ 630,469,749	\$ 269,120,000	\$ 17,640,000	\$	\$
Special assessment bonds with						
governmental commitment	167,000					167,000
General Obligation Capital leases	84,367,923	84,367,923				
Compensated absences payable	50,847,479				50,847,479	
Unemployment compensation payable	1,172,763				1,172,763	
TOTAL LIABILITIES	\$ 1,053,784,914	\$ 714,837,672	\$ 269,120,000	\$ 17,640,000	\$ 52,020,242	\$ 167,000

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 10 - CONTINUED

CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2001

	BALANCE 01/01/01	INCREASE	DECREASE	BALANCE 12/31/01
Limited G.O. bonds	\$ 648,233,662	\$ 24,420,000	\$ 42,183,913	\$ 630,469,749
Limited G.O. Capital leases	84,599,392	170,674	402,143	84,367,923
Unlimited G.O. bonds	262,280,000	29,130,000	22,290,000	269,120,000
Stadium G.O. bonds	20,730,000		3,090,000	17,640,000
Compensated absences liability	47,279,048	6,253,957	2,685,526	50,847,479
Unemployment compensation liability	1,051,155	121,608		1,172,763
Special assessment bonds with governmental commitment	197,000		30,000	167,000
TOTALS	\$ 1,064,370,257	\$ 60,096,239	\$ 70,681,582	\$ 1,053,784,914

Reconciliation of increase in general long-term debt with proceeds of general long-term debt per Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All-Governmental Fund Types:

Increase in general long-term debt	\$ 60,096,239
Add: Issue premium and underwriter discount	74,294
Less: Unlimited tax general obligation bonds – 2001 Harborview Medical Center, proceeds deposited in Component Unit - HMC	(29,130,000)
Less: Increase in Compensated absences liability and capital leases	(6,546,239)
Proceeds of general long-term debt – bonds	<u>\$ 24,494,294</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED**Computation of Legal Debt Margin**

Under Washington state law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2 1/2 percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people, and any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last State general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1 1/2 percent of assessed value of property within the County for general county purposes and 3/4 percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1 1/2 percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2 1/2 percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy.

COMPUTATION OF LEGAL DEBT MARGIN
 FOR THE YEAR ENDED DECEMBER 31, 2001

2001 ASSESSED VALUE	\$ 210,996,600,903
Debt limit of limited tax (LT) general obligations for metropolitan functions	
3/4 % of assessed value	1,582,474,507
Less: Net LT general obligation indebtedness for metropolitan functions	(626,610,284)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 955,864,223</u>
Debt limit of LI general obligations for general county purposes and metropolitan functions - 1 1/2 % of assessed value	\$ 3,164,949,014
Less: Net LT general obligation indebtedness for general county purposes	(809,118,904)
Net LT general obligation indebtedness for metropolitan functions	(626,610,284)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	<u>(1,435,729,188)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 1,729,219,826</u>
Debt limit of total general obligations for metropolitan functions	
2 1/2% of assessed value	\$ 5,274,915,023
Less: Net total general obligation indebtedness for metropolitan functions	(626,610,284)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 4,648,304,739</u>
Debt limit of total general obligations for general county purposes	
2 1/2% of assessed value	\$ 5,274,915,023
Less: Net unlimited tax general obligation debt for general county purposes	(277,703,445)
Net LT general obligation indebtedness for general county purposes	(809,118,904)
Net total general obligation indebtedness for general county purposes	<u>(1,086,822,349)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 4,188,092,674</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 – CONTINUED**Defeating General Obligation Bond Issues – 2001**

Limited Tax General Obligation Bonds Defeasance 2001 – On December 12, 2001, the County completed the defeasance of \$10,175,000 of 1997 Series B bonds using the excess proceeds from special taxes and revenues. The advance defeasance resulted in the recognition of an economic gain (the difference between the present values of the new and old debt service payments) of \$2,647,232 for the year ended December 31, 2001, and obtained an accounting gain (the difference between prior and present debt service payments) of \$3,367,925.

Refunding Water Quality Revenue Bond Issues – 2001

Sewer Revenue and Refunding Bonds, 2001 – On November 13, 2001, the County issued \$149,665,000 of Sewer Revenue Bonds with an average interest rate of 5.03 percent to advance refund \$147,430,000 consisting of parts of seven issues of Revenue Bonds with an average interest rate of 6.16 percent. The net proceeds were used to purchase U.S. government securities which were deposited with an escrow agent to provide for all future debt service payments on the Revenue Bonds Series 1964E, 1964F, 1965G, 1965H, 1966I, 1969J and 1992V bonds. As a result, the series 1964E, 1964F, 1965G, 1965H, 1966I, 1969J and 1992V bonds are considered to be defeased and the liability for those bonds has been removed from the Proprietary Type Long-term Debt.

The County advance refunded the Revenue Bond Series 1964E and F, 1965G and H, 1966I, 1969J and 1992V, to reduce its aggregate debt service payments by \$29,934,883 over the life of the bonds and to obtain an economic gain (difference between the present values of the new and old debt service payments) of \$15,711,574.

Refunded Bonds

King County has a total of 21 outstanding refunded and defeased bond issues of limited and unlimited tax general obligation bonds and revenue bonds which were originally reported in the General Long-term Debt Account Group and Proprietary Fund Types. The payment of principal and interest on these bond issues is the responsibility of the escrow agent - U.S. Bank of Washington.

The following is a schedule of refunded bonds outstanding as of December 31, 2001.

	<u>General LTD Account Group</u>	<u>Proprietary Fund Type</u>
Limited Tax G. O. Refunded Bonds	\$ 79,404,000	\$ 160,321,000
Unlimited Tax G.O. Refunded Bonds	48,990,000	
Revenue Bonds		252,624,000
Total	<u>\$ 128,394,000</u>	<u>\$ 412,945,000</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - CONTINUED

Future Borrowing Plans

In 2002 the County anticipates the issuance of approximately \$40 million of limited tax general obligation bonds to provide financing for road improvements. The County plans to issue approximately \$70 million more of limited tax bonds to finance road improvements over the next four years.

The County plans to issue \$80 million of new debt secured by sewer revenues in 2002 to provide funding for its Wastewater Treatment Division's capital improvement programs. The County anticipates the need to issue approximately \$100 million of new debt annually during the next five years to meet the continuing capital needs of the Wastewater Treatment Division.

The remaining \$164 million of the voter-approved \$193 million of unlimited tax general obligation bonds to finance seismic improvements to the Harborview Medical Center will be issued in two series over the next five years.

Finally, the County has identified other projects with an estimated financing need of \$130 million to be funded by the sale of limited tax general obligation bonds over the next several years. Interim financing for some of these projects has already been provided by the sale of Bond Anticipation Notes which will be rolled over until the limited tax general obligation bonds are issued.

This page intentionally left blank